

VZCZCXRO5193  
PP RUEHAG RUEHBI RUEHCI RUEHDBU RUEHLH RUEHNEH RUEHPW RUEHROV RUEHSL  
RUEHSR  
DE RUEHAH #0112/01 0221241  
ZNY CCCCC ZZH  
P 221241Z JAN 10  
FM AMEMBASSY ASHGABAT  
TO RUEHC/SECSTATE WASHDC PRIORITY 4115  
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE  
RUCNCIS/CIS COLLECTIVE  
RUCNMEM/EU MEMBER STATES COLLECTIVE  
RUEHAK/AMEMBASSY ANKARA 6157  
RUEHBJ/AMEMBASSY BEIJING 3842  
RUEHKO/AMEMBASSY TOKYO 3701  
RUEHIT/AMCONSUL ISTANBUL 4401  
RUEKJCS/JOINT STAFF WASHDC  
RUEAIIA/CIA WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RHEFDIA/DIA WASHDC  
RHEBAAA/DEPT OF ENERGY WASHDC  
RHEHNSC/NSC WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEKJCS/SECDEF WASHINGTON DC  
RUCNDT/USMISSION USUN NEW YORK 1433  
RUEHVEN/USMISSION USOSCE 4326

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000112

SIPDIS

STATE FOR SCA/CEN; EEB;  
ENERGY FOR EKIMOFF/BURPOE/COHEN  
COMMERCE FOR DSTARKS/EHOUSE

E.O. 12958: DECL: 01/22/2020

TAGS: [EPET](#) [ECON](#) [PGOV](#) [EINV](#) [BTIO](#) [TX](#)

SUBJECT: WINTERSHALL REP ON TURKMEN ENERGY DEVELOPMENTS

REF: A. 09 ASHGABAT 1029

[1](#)B. ASHGABAT 79

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY: German-based energy company Wintershall continues to seek an onshore energy deal with the Turkmen Government, but reports little success. The local representative described the company's progress as slow going, adding that its current offshore production sharing agreement has not led to any further deals for the company. The company rep identified Deputy Chairman for Oil and Gas Hojамuhammedov as the most politically savvy Deputy Chairman and the country's main energy broker. He stated that his optimism in Turkmenistan has waned since 2007, noting that Wintershall, like most international energy companies, is interested in long-term agreements that allow companies to book reserves. END SUMMARY.

[1](#)2. (C) On January 21, econoff met with the head of German-based energy company Wintershall in Ashgabat Kal Sandhu, a Canadian national who has been in Qrkmenistan for several years. Sandhu stated that Wintershall had already drilled two dry wells in Caspian blocks 11 and 12, but the company still intended to pursue an onshore contractual arrangement with the Government of Turkmenistan. He noted that Wintershall ended its partnership with OMEL, the joint venture between the ONGC and Mittal, and Maersk when the offshore production sharing agreement to explore Blocks 11 and 12 concluded in 2008. Since 2008, the company has reported little success in reaching any onshore deal with the Turkmen (ref A).

ON DEPUTY CHAIRMAN HOJAMUHAMMEDOV

[1](#)3. (C) The Wintershall rep asserted that Deputy Chairman for Oil and Gas Baymyrat Hojамuhammedov "calls almost all of the shots regarding energy in the country," adding that Hojамuhammedov's favorable relationship with Turkmen President Berdimuhamedov has only buoyed an already

"overconfident" Hojamammedov up to "most favored Chairman status" in the minds of many. He explained that Hojamammedov got his start in politics under former president Niyazov. He served as the government's Chief of Procurement for three and a half years before being placed in charge of divesting government assets. The local rep opined that Hojamammedov successfully parlayed his accrued wealth and political clout into positions such as Minister of Oil and Gas Industry and Mineral Resources and the Head of the State Gas Concern, Turkmengaz, before finally becoming a Deputy Chairman in 2009. He added that many of his Turkmen contacts consider Hojamammedov to be the second richest politician in the country, second only to President Berdimuhamedov.

14. (C) The company rep referred to the recent firing of Minister of Oil and Gas Industry and Mineral Resources Nurmyradov as an example of Hojamammedov's influence on the Turkmen President. According to the rep, Hojamammedov personally selected Nurmyradov to be Minister in October because he was an academic and someone who would remain subservient to his boss. According to the rep, Nurmyradov reportedly viewed his appointment differently, and gave foreign companies, including Wintershall, false hope regarding potential onshore and offshore opportunities. When Hojamammedov heard about this, he was reportedly furious that Nurmyradov had infringed on the authority of the Deputy Chairman for Oil and Gas and the Head of the State Agency for the Management of Hydrocarbon Resources Yagshygeldi Kakayev. After only serving as Minister for three months, President Berdimuhamedov fired Nurmyradov for "serious shortcomings in

ASHGABAT 00000112 002 OF 002

his work." The rep doubted that any minister could demonstrate "serious shortcomings" after only three months, concluding that Hojamammedov simply asked Berdimuhamedov to fire Nurmyradov (ref B).

#### CONTRACTUAL AGREEMENTS

15. (C) Wintershall's rep felt that too many energy companies in Ashgabat focus only on entering a production sharing agreement (PSA) for onshore development. He believed that any onshore contract, whether it be called a service agreement, a risk service agreement, a buy-back agreement, a turnkey agreement, or even a PSA, could be drafted in a way that would allow energy companies to book production reserves. He was not confident, however, that the Turkmen government would eventually see the profitability in entering such agreements, adding that certain words and phrases like "PSAs" and "booking reserves" were just too taboo for Turkmenistan when it came to onshore development. He stated that the Turkmen had incorrectly concluded that most foreign energy companies, especially the big ones, would use complicated contracts to "swindle" the Turkmen out of their natural resources and wealth. As a result, foreign energy companies had a lot of work to do in convincing the Turkmen otherwise, he said. The rep lamented that he had heightened optimism that attitudes toward foreign companies would change when President Berdimuhamedov took office in 2007, but little change in the country's energy sector policies has caused his optimism to wane significantly over the last three years.

16. (C) COMMENT: Wintershall invested millions in Turkmenistan with its partners when it drilled two dry wells in the Caspian. Nevertheless, the company refuses to pack up and leave Ashgabat. Instead, it continues to court Deputy Chairman Hojamammedov, who seems to owe Berdimuhamedov's ear on anything energy-related. Even though Wintershall did exactly what the government has been telling foreign energy companies to do -- pursue on offshore block first -- it has yet to result in any new deals for the company. Nevertheless, the company rep saw no other option for Wintershall than to stay in Ashgabat indefinitely, waiting for the Turkmen to give the company other opportunities. END COMMENT.

